



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
GREENUP COUNTY
SHERIFF'S SETTLEMENT - 1999 TAXES**

July 14, 2000

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EXECUTIVE SUMMARY
GREENUP COUNTY
KEITH COOPER, SHERIFF
SHERIFF'S SETTLEMENT - 1999 TAXES

July 14, 2000

We have completed the audit of the Greenup County Sheriff's Tax Settlement for 1999 Taxes. We have commented that the Sheriff did not prepare an annual tax settlement to present to the fiscal court. Our audited tax settlement for 1999 taxes shows amounts owed to the county and special and school taxing districts. Three things contributed to the large amounts owed to the taxing districts. First, franchise bills totaling over \$20,000 were collected and not distributed to the taxing districts. Second, some refunds were deducted twice from the amounts owed to the taxing districts per the monthly reports. This caused a lower amount to be paid to the districts than what was actually owed. And third, the penalties on the monthly reports for the school taxing districts were computed at 5% rather than 10%. The 10% penalty was correctly collected from the taxpayers, but the reports were computed incorrectly, indicating a lower amount was owed to the school taxing districts. The Sheriff has the funds available to pay all amounts owed to the county and special and school taxing districts as determined by our audit.

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky
Honorable Paul E. Patton, Governor
Kevin Flanery, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Robert Carpenter, Greenup County Judge/Executive
Honorable Keith Cooper, Greenup County Sheriff
Members of the Greenup County Fiscal Court

Independent Auditor's Report

We have audited the Greenup County Sheriff's Settlement - 1999 Taxes as of July 14, 2000. This tax settlement is the responsibility of the Greenup County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Sheriff prepares his financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Greenup County Sheriff's taxes charged, credited, and paid as of July 14, 2000, in conformity with the basis of accounting described in the preceding paragraph.

To the People of Kentucky
Honorable Paul E. Patton, Governor
Kevin Flanery, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Robert Carpenter, Greenup County Judge/Executive
Honorable Keith Cooper, Greenup County Sheriff
Members of the Greenup County Fiscal Court

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following area of noncompliance.

- The Sheriff Should Prepare An Annual Tax Settlement And Present The Settlement To The Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated October 4, 2000, on our consideration of the Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
October 4, 2000

GREENUP COUNTY
KEITH COOPER, SHERIFF
SHERIFF'S SETTLEMENT - 1999 TAXES

July 14, 2000

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 781,811	\$ 1,748,530	\$ 4,611,813	\$ 1,271,517
Tangible Personal Property	119,123	195,865	612,013	392,786
Intangible Personal Property				92,245
Fire Protection	2,581			
Franchise Corporation	128,780	213,445	625,625	
Additional Billings	6,513	15,936	38,936	10,616
Increased Through Erroneous Assessments	318	975	1,768	517
Penalties	7,434	16,485	44,010	12,136
Adjusted to Sheriff's Receipt	(35)	11	(45)	(15)
Gross Chargeable to Sheriff	<u>\$ 1,046,525</u>	<u>\$ 2,191,247</u>	<u>\$ 5,934,120</u>	<u>\$ 1,779,802</u>
<u>Credits</u>				
Discounts	\$ 12,031	\$ 25,561	\$ 68,994	\$ 24,742
Exonerations	11,093	25,411	67,165	18,064
Delinquents:				
Real Estate	42,959	95,424	256,173	69,648
Tangible Personal Property	517	905	2,295	1,942
Intangible Personal Property				380
Total Credits	<u>\$ 66,600</u>	<u>\$ 147,301</u>	<u>\$ 394,627</u>	<u>\$ 114,776</u>
Net Tax Yield	\$ 979,925	\$ 2,043,946	\$ 5,539,493	\$ 1,665,026
Less: Commissions (a)	<u>41,934</u>	<u>86,868</u>	<u>127,482</u>	<u>71,051</u>
Net Taxes Due	\$ 937,991	\$ 1,957,078	\$ 5,412,011	\$ 1,593,975
Taxes Paid	932,593	1,944,909	5,363,862	1,589,832
Credit For Commissions Per KRS 134.290				2,578
Penalty Per KRS 46.990				136
Refunds (Current and Prior Year)	<u>1,678</u>	<u>3,846</u>	<u>10,015</u>	<u>2,780</u>
Due Districts or (Refund Due Sheriff)		(b)	(c)	
as of Completion of Fieldwork	<u>\$ 3,720</u>	<u>\$ 8,323</u>	<u>\$ 38,134</u>	<u>\$ (1,079)</u>

(a), (b), and (c) See Page 4

GREENUP COUNTY
 KEITH COOPER, SHERIFF
 SHERIFF'S SETTLEMENT - 1999 TAXES
 July 14, 2000
 (Continued)

(a) Commissions:

10% on	\$	10,000
4.25% on	\$	4,678,897
2.5% on	\$	3,338,464
2% on	\$	2,201,029

(b) Special Taxing Districts:

Library District	\$	1,741
Health District		1,344
Extension District		583
Ambulance District		1,443
South Shore Fire District		500
Wurtland Fire District		249
Lloyd Fire District		275
Load Fire District		(49)
Maloneton Fire District		141
Oldtown Fire District		264
Little Sandy Fire District		574
Firebrick Fire District		92
City of South Shore District		(341)
City of Greenup District		597
City of Raceland District		910

Due Districts or (Refunds Due Sheriff)	\$	<u>8,323</u>
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(c) School Taxing Districts:

Common	\$	27,497
Russell		5,329
Raceland		<u>5,308</u>

Due Districts	\$	<u>38,134</u>
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The accompanying notes are an integral part of the financial statement.

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENT

July 14, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of July 14, 2000, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENT
July 14, 2000
(Continued)

Note 3. Property Taxes

The real and personal property tax assessments were levied as of January 1, 1999. Property taxes were billed to finance governmental services for the year ended June 30, 2000. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 23, 1999 through April 28, 2000.

Note 4. Interest Income

The Greenup County Sheriff earned \$17,987 as interest income on 1999 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder was used to operate the Sheriff's office.

Note 5. Unrefundable Duplicate Payments And Unexplained Receipts Should Be Escrowed

The Sheriff should deposit any unrefundable duplicate payments and unexplained receipts in an interest-bearing account. According to KRS 393.110, the Sheriff should properly report annually to the Treasury Department any unclaimed moneys. After seven years, if the funds have not been claimed, the funds should be submitted to the Kentucky State Treasurer. For the 1999 taxes, the Sheriff had \$6,584 in unrefundable duplicate payments and unexplained receipts. Therefore, the Sheriff should send a written report to the Treasury Department.

Note 6. Additional Taxes Owed To Taxing Districts

Our audited tax settlement for 1999 taxes shows amounts owed to the county and special and school taxing districts. Three things contributed to the large amounts owed to the taxing districts. First, franchise bills totaling over \$20,000 were collected and not distributed to the taxing districts. Second, some refunds were deducted twice from the amounts owed to the taxing districts per the monthly reports. This caused a lower amount to be paid to the districts than what was actually owed. And third, the penalties on the monthly reports for the school taxing districts were computed at 5% rather than 10%. The 10% penalty was correctly collected from the taxpayers, but the reports were computed incorrectly, indicating a lower amount was owed to the school taxing districts. The Sheriff has the funds available to pay all amounts owed to the county and special and school taxing districts as determined by our audit.

COMMENT AND RECOMMENDATION

GREENUP COUNTY
KEITH COOPER, SHERIFF
COMMENT AND RECOMMENDATION

July 14, 2000

STATE LAWS AND REGULATIONS:

1. The Sheriff Should Prepare An Annual Tax Settlement And Present The Settlement To The Fiscal Court
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The Sheriff did not prepare an annual tax settlement to present to the fiscal court. KRS 134.310 states, "The Sheriff shall annually settle his accounts for county and district taxes with the fiscal court, after making settlement with the Revenue Cabinet The settlement shall show the amount of ad valorem tax collected, and an itemized statement of the money disbursed." At the completion of our audit, the Sheriff had not prepared or presented an annual tax settlement to the fiscal court. We note that the Sheriff can use our audited financial statement as his 1999 annual tax settlement. We recommend that, in the future, the Sheriff prepare an annual settlement and present it to the fiscal court in a timely manner.

Sheriff's Response:

CPA will do as soon as possible.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Robert Carpenter, Greenup County Judge/Executive
Honorable Keith Cooper, Greenup County Sheriff
Members of the Greenup County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Greenup County Sheriff's Settlement - 1999 Taxes as of July 14, 2000, and have issued our report thereon dated October 4, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Greenup County Sheriff's Settlement - 1999 Taxes as of July 14, 2000, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Greenup County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Honorable Robert Carpenter, Greenup County Judge/Executive
Honorable Keith Cooper, Greenup County Sheriff
Members of the Greenup County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
October 4, 2000

